

# ARIZONA STATE RETIREMENT SYSTEM

## *Financial Horizons*

SUMMER 2001

### Legislative News

The Arizona State Legislature, with Governor Hull's approval, has made major changes in the retirement and health insurance premium benefits available to Arizona State Retirement System (ASRS) members. The effective date for all recently passed bills is August 9, 2001, unless otherwise stated.

**SB 1295 (retirement benefits; defined contribution supplement)** provides a graded multiplier for members who retire after the effective date of the act.

The major benefit changes in SB 1295 are:

- **Employer Option Service Purchase Incentive** – This permits an employer and a member who has achieved normal retirement age, to enter into an agreement where a member can work up to an additional three years. During the three-year period neither the member nor the employer would make retirement contributions to the ASRS. However, during the three year period of employment, the member and employer **shall** make contributions to the 401(a) Supplemental Defined Contribution Plan for the purpose of purchasing three years of additional credited service. If both the member and the employer complete the terms of the agreement, the employee will be credited with six years of credited service at the end of the three year period.
- **Partial Lump Sum Option** – A member may elect a partial lump sum payment at retirement equal to not more than 36 months of the member's calculated retirement benefit. The life annuity amount would be adjusted actuarially to a reduced amount to offset the lump sum payment. This provision is effective July 1, 2002.
- **Graded Multiplier** – Provides a variable multiplier in the retirement benefit formula, increasing with years of service according to the following:

Continued on Page 2

#### THE ASRS MISSION

The mission of the ASRS is to contribute toward its members' long-term financial security by providing retirement, disability, survivors' and health insurance benefits; and by counseling and disseminating information to its members.

Furthermore, the mission of the ASRS website is to provide timely and useful information online to ASRS members, the Arizona State Legislature, Governor's Office, employers, staff, vendors and the public.

#### Inside This Issue:

Legislative News	2
Investment Rates of Return	3
ASRS Meeting Schedule	6
ASRS Pre-Retirement Education	4
ScriptSave Information	7
ASRS Survey Results	8

#### ASRS Board

Dr. Chuck Essigs, Chairman, Mesa Educator; term expires 2004

Jim Bruner, Vice-Chairman, Scottsdale Public; term expires 2002

Dr. Merlin K. DuVal, Phoenix Retired; term expires 2002

Bonnie Gonzalez, Flagstaff State employee; term expires 2003

Jim Jenkins, Scottsdale Political Subdivision; term expires 2002

Alan Maguire, Phoenix Member at large; term expires 2003

Norman Miller, Phoenix Public; term expires 2004

Karl L. Polen, Phoenix Public; term expires 2004

Ray Rottas, Paradise Valley Public; term expires 2003

#### Administration

LeRoy "Gil" Gilbertson, Director

Paul Matson, Chief Investment Officer

Anthony Guarino, Deputy Director, Chief Operations Officer

Tom Augherton, Deputy Director External Operations

# Legislative News Continued...

0.00 to 19.99 Years of Service	2.10 %
20.00 to 24.99 Years of Service	2.15 %
25.00 to 29.99 Years of Service	2.20 %
30.00 or More Years of Service	2.30 %

- **Permanent Benefit Increase Enhancement** – Provides additional benefit increases to current retirees based on two factors: 1.) total number of years of retirement and, 2.) total number of years of service credit must be at least equal to ten. Any member who has at least ten years of service and has been retired for at least five years would be eligible for an incremental increase for each five years of retirement. Here is an example:

Years Retired	Monthly Increase
0.00-4.99	\$0.00
5.00-9.99	\$13.04
10.00-14.99	\$26.08
15.00-19.99	\$39.12
20.00-24.99	\$52.16
25.00-29.99	\$65.20
30.00	\$78.24

**HB 2164 (retirees; health insurance subsidies)** increases the health insurance premium benefit for ASRS members in the following amounts:

- Medicare eligible member from \$65 to \$100
- Non-Medicare eligible member from \$95 to \$150
- Non-Medicare family coverage from \$175 to \$260
- Medicare eligible family coverage from \$115 to \$170
- Combination Medicare and non-Medicare eligible from \$145 to \$215

This provision is effective retroactive July 1, 2001. An ASRS employer may make health insurance premium payments for health insurance coverage that they authorize.

**SB 1107 (retirees; health insurance; subsidies)** provides a health insurance premium benefit for retired or disabled members with at least ten years of service credit who do not have access to a Health Maintenance Organization (HMO) through the ASRS or employer plan in which they are enrolled until June 30, 2003. The increases are as follows:

- |  |                 |
|--|-----------------|
| • Medicare eligible member                       | \$170 per month |
| • Non-Medicare eligible member                   | \$300 per month |
| • Non-Medicare family coverage                   | \$600 per month |
| • Medicare eligible family coverage              | \$350 per month |
| • Combination Medicare and non-Medicare eligible | \$470 per month |

This provision is also effective retroactive July 1, 2001. The bill also provides that a retired or disabled member may elect to purchase individual coverage and receive a payment of the increased subsidy through the member's employer if the employer assumes the administrative function associated with the payment including verification that the payment is used for health insurance.

**HB 2050 (ASRS; retirees; return to work)** permits retired members of the ASRS to return to work and still be eligible to receive retirement benefits if they have been terminated from employment for a period of 12 months. The members who take this return-to-work option will not be eligible for LTD benefits nor will they contribute to the ASRS or accrue additional benefits during the period of re-employment. This law is repealed July 1, 2003.

**SB 1100 (supplemental defined contribution plans)** repeals the optional DC retirement programs  
Continued on Page 3

# Legislative News Continued...

established in 1998 for exempt state employees (non-merit service employees), legislative agency employees and certain term limited elected officials. Persons already participating in those programs are continued in them. It establishes a 401(a) supplemental defined contribution plan administered by the ASRS. Employers may elect to match contributions of their employees to the supplementary plan on an annual basis. The employee contributions belong to the employee from the time of deposit. **Employee** contributions will be immediately vested and **employer** contributions will be vested after a minimum of five years on a graduated basis. The program will be an after-tax program until the Internal Revenue Service approves it for pre-tax status.

**SB 1117 (ASRS; omnibus)** contains 42 pages of administrative and technical amendments requested by the ASRS.

**HB 2111 (state retirement service credits; transfers)** permits an inactive member who has not retired to transfer credited service from one state plan to their current or former retirement plan if the inactive member is not eligible for membership in the ASRS and has not withdrawn contributions from the ASRS.

**SB 1155 (community colleges; optional retirement; contributions)** allows community colleges that adopt an optional retirement program to make contributions equal to those of the optional programs of the Board of Regents.

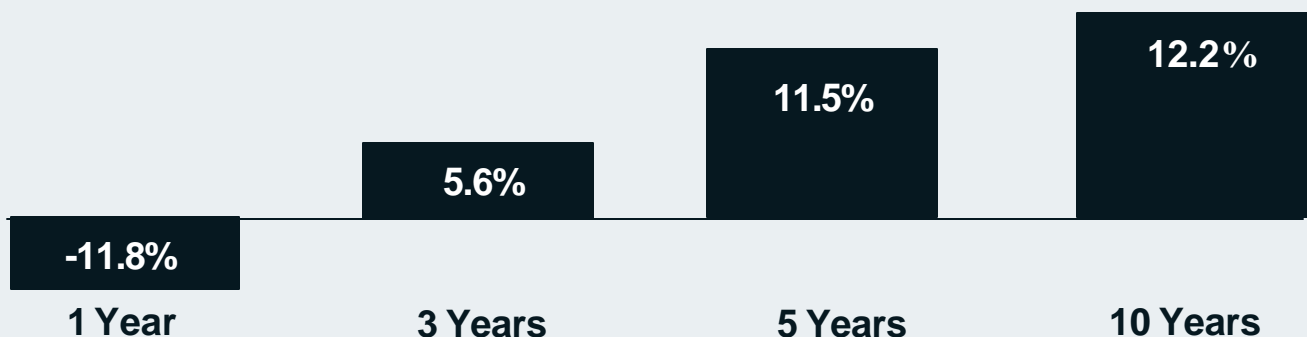
**HB 2008 (PSPRS; membership; park rangers)** transfers state and county park rangers from the ASRS to the Public Safety Personnel Retirement System (PSPRS).

**HB 2004 (ASRS; actuarial computation method)** that switched the ASRS actuarial method of valuation from the Projected Unit Credit (PUC) Method to the Entry Age Normal (EAN) method over a 10 year period **was vetoed**. In her veto message the Governor said, "I agree with a policy change of returning to a more conservative methodology for the state's \$23 billion pension system. However, the decision to return to EAN from PUC must be dependent upon the state's economic situation and revenue flows, as was the original change. Given the state's present fiscal circumstances, and the bill's cost of \$126.8 million between fiscal years 2004-2013, enacting HB2004 does not seem prudent at this time."

**To Calculate Your Approximate Monthly Retirement Permanent Benefit Increase (PBI) and Enhancement and/or to see an Arizona State Retirement System PBI Schedule go to the ASRS website at [www.asrs.state.az.us](http://www.asrs.state.az.us)**

## ASRS Investment Rates of Return

The ASRS continues to benefit from impressive rates of return. This graph reflects the rates of return for the period ending March 31, 2001.



# **An Explanation of Pre-Retirement Seminars Workshops Group Meetings**

## **It's Never too Early to Learn about YOUR Retirement**

When can I retire? How much will I get when I retire? What is service purchase? What about Social Security? Do I have to wait until I am age 65 or older now? These are some of the most commonly asked questions people start asking as they find themselves approaching retirement.

Younger people too, need to start thinking about retirement. Did you know that if you started working with an ASRS employer as early as age 24, you could work for 28 years and retire with full benefits at age 52! At age 52 you are young enough to start a second career – travel around the world - or just sit back and enjoy your life. Maybe, you could even retire earlier than age 52! Did you work for a public employer when you were in college or part-time in the summers? Did you ever substitute teach? If so you could purchase this time into the ASRS and retire in your 40's! How?

The ASRS has developed three types of educational programs to help you the member, learn about your retirement. Pre-Retirement Seminars, Workshops and Group Meetings. These programs are free to you and your family. They will help you to understand your ASRS benefits and help you plan for a financially stable future.

### **Pre-Retirement Seminars**

The Seminar is an overview of the ASRS and is focused towards members who are five or more years away from retirement. A Senior Benefit Advisor presents information about the history and organizational structure; benefits currently available as an active member; the process to retire; how retirement benefits are computed; service purchase; payroll deduction agreements; health insurance and limitations on returning to work after retirement. There are also two videos: one on Elder Law and the second on Social Security. The seminar is approximately four (4) hours long.

### **Workshops**

Everyone, regardless of how many years away from retirement, should attend the Workshop. The workshop is a “hands-on” presentation that teaches you, the member, how to compute your benefit. This is where you learn to answer your own questions. How many more years do I have to work before I can retire? How can I retire sooner? How can I increase the amount that I am going to earn when I retire? These are all-important questions that you will learn the answers to and the ability to control the outcome of those answers. You are your own destiny!

For the workshop, we ask that you bring a calculator. We will learn: how to calculate when you are

Continued on Page 5

# An Explanation of Pre-Retirement Seminars, Workshops & Group Meetings Continued...

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eligible to retire; how much you will earn; how to increase the amount of your pension; the types and processes for service purchase; how to project the cost of service purchase; and, how service purchase will affect your pension and if it is a good investment.

After you attend a workshop, you will have a much clearer understanding of the factors that affect your pension when you retire. You will also have gained the insight on how to change those factors to earn you the pension amount necessary for you to retire. The workshop is approximately two to three hours long.

## **Group Meetings**

Group Meetings are focused on members that are less than one year away from retirement. At the group meeting, a benefit estimate is prepared for each attendee. This estimate is generated from the information the member provides over the phone. It is essential when making your appointment to inform us of your anticipated retirement date, current salary, current service purchase status, and beneficiary's name and birth date.

While attending the Group Meeting you will learn about the seven options that are available to you when you retire. These options are computed to show you the difference in the amount of your pension if you are planning on providing a benefit for your spouse or beneficiary.

There are four forms that need to be completed and returned to the ASRS before you can retire. These forms include the Application for Retirement Benefit and Election for Payment Option, State and Federal Income Tax Withholding, Direct Deposit and the W-9 Request for Taxpayer Identification Number and Certification. These forms will be reviewed in detail and you may complete them and turn them in to the Benefit Advisor after the meeting.

Other topics that will be covered include health insurance, premium benefit amount, limitations on returning to work after retirement, federal safe harbor rule and level income option. The Group Meeting is approximately two to three hours long. If you have questions that necessitate individual attention, a Senior Benefit Advisor will be on hand to meet with you after the meeting.

To attend any of our educational programs, it is necessary to make an appointment by calling 1-800-621-3778; Phoenix (602) 240-2000; Tucson (520) 239-3100. To be able to offer individualized attention to our members we limit our seating to 75 attendees for the Seminar and 30 for the Workshops and Group Meetings. The dates and times listed on page 8 can also be viewed on our web site: [www.asrs.state.az.us](http://www.asrs.state.az.us) however it is still necessary to contact us directly to schedule your appointment.

**Please refer to Page 6 for a listing of the Pre-Retirement Seminars, Group Meetings and Workshops that are scheduled in the next few months.**

## Schedule of Pre-Retirement Seminars, Group Meetings and Workshops

### Friday, June 1

**Group Meeting:** Tucson 9 AM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Monday, June 4

**Group Meeting:** Tucson 4 PM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Tuesday, June 5

**Group Meeting:** Phoenix 8 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Wednesday, June 6

**Group Meeting:** Phoenix 2 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Thursday, June 7

**Group Meeting:** Phoenix 4 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Monday, June 11

**Seminar:** Tucson 9 AM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Tuesday, June 12

**Group Meeting:** Tucson 4 PM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Thursday, June 14

**Group Meeting:** Phoenix 2 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Monday, June 18

**Group Meeting:** Phoenix 3 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Tuesday, June 19

**Workshop:** Tucson 2 PM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Wednesday, June 20

**Seminar:** Phoenix 9 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Thursday, June 21

**Group Meeting:** Phoenix 10 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Friday, June 22

**Group Meeting:** Tucson 9 AM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Monday, June 25

**Group Meeting:** Phoenix 10 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Tuesday, June 26

**Group Meeting:** Tucson 4 PM, 7660 E Broadway Blvd, Suite 101, Tucson, AZ

### Wednesday, June 27

**Group Meeting:** Phoenix 2 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Monday, July 9

**Group Meeting:** Phoenix 10 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

### Thursday, July 12

**Group Meeting:** Phoenix 4 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

Continued on Page 7

**Saturday, July 14**

**Seminar:** Phoenix 9 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Monday, July 16**

**Group Meeting:** Phoenix 4 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Wednesday, July 18**

**Group Meeting:** Phoenix 2 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Saturday, July 21**

**Workshop:** Phoenix 9 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Monday, August 6**

**Group Meeting:** Phoenix 8 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Wednesday, August 8**

**Group Meeting:** Phoenix 4 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Saturday, August 11**

**Seminar:** Phoenix 9 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Wednesday, August 15**

**Workshop:** Phoenix 2 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Wednesday, August 22**

**Group Meeting:** Phoenix 10 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Friday, August 24**

**Group Meeting:** Phoenix 2 PM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Tuesday, August 28**

**Group Meeting:** Phoenix 10 AM, 3300 N Central Ave, 10<sup>th</sup> floor, Phoenix, AZ

**Space is very limited, please call ahead to make reservations at 602-240-2000 in metro Phoenix, 520-239-3100 in metro Tucson or 1-800-621-3778 outside metro Phoenix and Tucson.**

## **ScriptSave (for retirees only)**

**Great news! The Arizona State Retirement System (ASRS) is providing you and your household with a FREE ScriptSave prescription drug discount card to save you money and help keep you healthy.**

ScriptSave offers you the Best Price Advantage, assuring you and your household members the lowest price possible on every prescription you buy. Discounts typically range up to 35 percent, and currently average 21 percent. Your actual savings may be more or less depending on the medication and pharmacy you use. **Best of all, every household member may use the ScriptSave card whether they are enrolled on your ASRS- sponsored insurance plan or not.**

Regardless of the type of health insurance or retiree coverage you have, you are able to utilize the ScriptSave card during certain instances. Such instances include prescriptions that are not on a formulary and dental prescriptions.

Whether your prescription is brand name or generic, you receive immediate savings at any participating pharmacy. There are no bills, claim forms or paperwork to submit. There are also no deductibles or coinsurance requirements to meet. Simply present your card, prescription or refill, and pay the special discount price to your pharmacist.

As a ScriptSave cardholder, you also enjoy access to health and wellness information, referrals, exclusive discounts and special promotions with the Wellness Center. Take advantage of your new prescription discount card. You can begin saving money on your prescriptions today.

For further information call ScriptSave at 1-800-700-3957 Weekdays 9 AM to 8 PM EST, Saturdays 10 AM-3 PM EST.

## Financial Horizons

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Phoenix, AZ 85067-3910

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### COMMENTS?

The Arizona State Retirement System continues to appreciate your comments and suggestions. We encourage you to write the ASRS Director, LeRoy Gilbertson with your concerns. Please include your name, telephone number and Social Security number on all correspondence. Thank you for your input.

Send letters to:  
LeRoy Gilbertson, Director  
Arizona State Retirement System  
P.O. Box 33910  
Phoenix, AZ 85067-3910

ASRS *Financial Horizons* is published quarterly for retired and non-retired members of the Arizona State Retirement System. We welcome letters from our readers and encourage you to address your comments to:

Stephanie Marries, Editor  
Financial Horizons  
P.O. Box 33910  
Phoenix, AZ 85067-3910

The ASRS complies with the *Americans with Disabilities Act of 1990*. This newsletter is available in an alternate format upon request. Contact Maria Antongiorgi, ADA Coordinator, at (602) 240-2130 in metro Phoenix, (520) 239-3100 ext. 2130 in metro Tucson or 1 (800) 621-3778 ext. 2130 outside metro Phoenix and Tucson. Information in the newsletter about retirement laws or policies is only a guide. If a conflict arises between information contained in the newsletter and the law, the law takes precedence.

### CONTACT US!

**ON THE WEB:**  
[www.asrs.state.az.us](http://www.asrs.state.az.us)

**PHOENIX OFFICE:**  
3300 North Central Avenue  
Post Office Box 33910  
Phoenix, AZ 85067-3910  
(602) 240-2000

**TUCSON OFFICE:**  
7660 East Broadway Boulevard  
Tucson, AZ 85710-3776  
(520) 239-3100

**OUTSIDE METRO PHOENIX  
AND TUCSON:**  
Call Toll Free at (800) 621-3778

### ASRS Monthly Mail Survey Results

The ASRS commissioned WestGroup Research of Phoenix to conduct a monthly mail survey of those members who recently had contact with the ASRS. The purpose of the survey is to evaluate each of the ASRS' major services on an ongoing basis.

In June 1999, the ASRS began to supply WestGroup Research with approximately 250 names and addresses of members who had contact with ASRS in one or more service areas in the previous month. WestGroup is tasked with mailing out the survey forms to members, collecting the responses, and tabulating the data. This report reflects some of the data collected during March 2001 for services completed in February 2001. A total of 74 surveys were returned in March. The margin of error for the total sample is  $\pm 11.6\%$  at a 95% level of confidence. In this survey, a score of 1.0 is the lowest and 5.0 is the highest.

<u>Service Provided</u>	<u>Average</u>
ASRS employees provide good service to members	4.3
ASRS keeps its members informed of matters that affect them	4.3
ASRS is pleasant and easy to do business with	4.4
Courtesy of an ASRS representative while on the phone	4.5
Usefulness of monthly payment summary	4.7